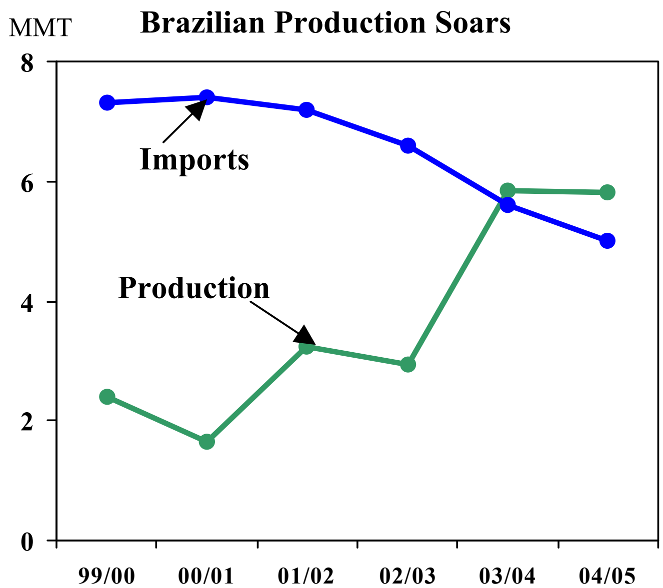
WHEAT: WORLD MARKETS AND TRADE

MONTHLY HIGHLIGHTS:

Brazilian Wheat Imports Fall to 14-Year Low: Brazilian imports for 2004/05 are forecast to continue to fall due to another large crop and reduced opportunities for export. During the last two seasons, Brazil has had bumper crops in part due to expanded acreage, with drought at planting last year causing farmers to switch area out of winter corn. Yields have also been at record levels as late frosts, which typically harm the crop, did not materialize. Smaller expected exports this year due to uncompetitive prices should also mean that more of the crop is consumed domestically, further pushing down imports.

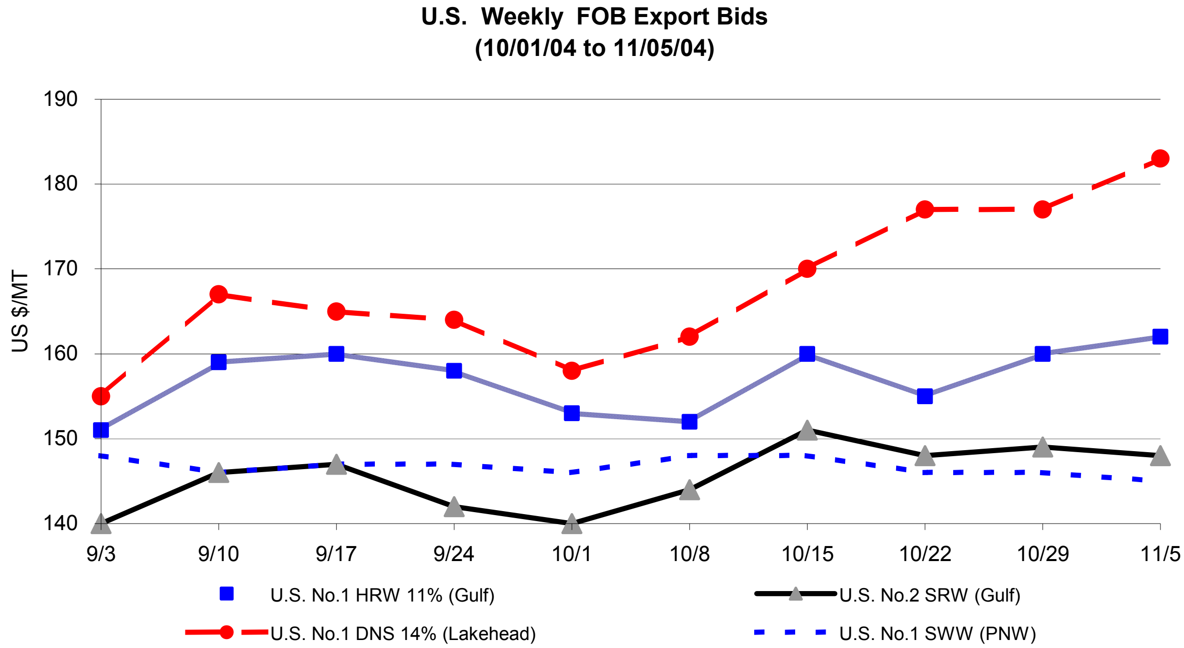
Although Brazil remains one of the world's largest wheat import markets, these larger crops have mitigated import requirements, primarily affecting Argentina, its main supplier. This is also affecting the United States: U.S. wheat sales for the 2004/05 season are currently at only 52,000 tons, down from nearly half a million tons this time last year.



PRICES:

Domestic: As of October 1, most prices dropped across the board on NASS estimates of a larger spring wheat crop. However, in the following weeks most wheat classes recovered on larger than expected exports, but the recovery was short lived for HRW as Iraq purchased 1.0 million tons of Australian wheat. During the middle of the month, winter wheat prices rallied and then retreated when rising prices intensified competition from other suppliers. However, spring wheat prices continued to climb due to tight supplies of high-protein wheat and a strengthening basis. As October came to a close, slower farmer sales and a strong basis lent support to HRS and HRW prices, but SRW showed little change due to high alfatoxin levels.

For the week ending November 5, average HRW prices were $9 a ton higher than a month earlier, while SRW prices were $8 a ton higher.. HRS prices gained $25 a ton while SWW ended the month with a loss of $1 a ton.



TRADE CHANGES IN 2004/2005

Selected Exporters

- **Argentina** up 500,000 tons to 9.0 million with higher expected production. Low prices have caused sales of old and new crop wheat to surge, especially into Mediterranean markets.

- **Kazakhstan** down 500,000 tons to 4.0 million with supply tighter than last year. More exports, however, are expected to reach markets outside the former Soviet Union.

- **Russia** up 1.0 million tons to 6.0 million with a larger than expected harvest and very strong early-season exports.

Selected Importers

- **Algeria** up 300,000 to 4.3 million as a smaller crop increases soft wheat and durum import demand.

- **Romania** up 100,000 tons to 200,000 due to stronger than expected early-season imports from neighboring countries. Imports will likely fade, however, due to a large harvest.

- **South Africa** up 100,000 tons to 1.0 million due to a smaller crop.

- **United States** up 100,000 tons to 1.8 million due to strong early-season soft wheat imports from Ontario.